



**CCRC**  
Actuaries, LLC

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STATE OF WEST  
VIRGINIA

PUBLIC EMPLOYEES  
INSURANCE AGENCY

**Quarterly Report**  
**March 31, 2004**

**Fiscal Years**  
**2004 - 2008**

*July 2004*



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West Virginia Public Employees Insurance Agency  
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Ladies and Gentlemen:

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and the Managing Partner in the firm of CCRC Actuaries, LLC ("CCRC Actuaries").

CCRC Actuaries has been retained by the Finance Board ("Board") of the West Virginia Public Employees Insurance Agency ("Agency") to assist it as provided under the West Virginia Public Employees Insurance Act ("Act") as amended by Senate Bill 702 in 1998. As provided under the Act, the Board has retained CCRC Actuaries to review the financial plan prepared and proposed by the Board for the fiscal year ending June 30, 2004 ("FY 2004") and to provide quarterly financial reports. In addition, the analysis is to include reporting on a projection period of five years and to include an accrual and incurred basis. Accordingly, CCRC Actuaries has additionally provided preliminary forecasts for the fiscal years ending June 30, 2005 ("FY 2005"), June 30, 2006 ("FY 2006"), June 30, 2007 ("FY 2007"), and June 30, 2008 ("FY 2008"). This opinion of plan adequacy is based on the projections through FY 2008, using future revenue and plan modifications provided by the Finance Board.

Under the Act, it is the Board's responsibility to prepare a proposed financial plan designed to generate revenues sufficient to meet all insurance program and administrative costs of the West Virginia Public Employees Insurance Agency. Under the Act, the Board must provide a financing plan in which the State Fund costs are financed 80% by State employers and 20% by State employees in FY 2007. Based on the Finance Board motion approved in the December 2003 meeting, this calculation excludes the retiree subsidy beginning in FY 2006 and is found in Appendix A. Appendix B contains the former definition in which the employees contributed to the retiree subsidy financing. It is also the Board's responsibility to review actual costs incurred, any revised cost estimates, expenditures, and other factors affecting the fiscal stability of the plan and to make any modifications to the plan necessary to insure that the total financial requirements of the Agency for the fiscal year are met. We have been requested to review the proposed financial plan, and as supported by our work, to render an opinion stating whether the plan may be reasonably expected to generate sufficient revenues to meet estimated insurance program and administrative costs of the Agency through FY 2008.

In preparing the plan, CCRC Actuaries utilized information concerning the plan's prior experience, covered individuals, plan revenues, plan benefits, plan administrative costs, and other expenses. This information was developed and provided by the Agency, the plan's third party administrators and other sources. In our review, we completely relied on the accuracy of this information and did not review or test the information in any way.

In the circumstances, and subject to the conditions described herein, based on our review, we believe the Financial Plan approved by the Board for FY 2004 through FY 2008 may be reasonably expected to generate sufficient revenues, when combined with the existing surplus, to meet estimated insurance program and administrative costs of the Agency. It should be noted that this conclusion is based on significant revenue increases in employer and employee premiums through FY 2008 as approved by the Board in December 2003 for Fiscal Years 2004 through 2008.

The preparation of any estimate of future health costs requires consideration of a broad array of complex social and economic events. This report does not contemplate the financial impact of any changes in benefits related to the new federal Medicare legislation. Changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, the continuing evolution of the framework of the managed care options, and the changes currently experienced in the processing of non-drug claims, as are contemplated in the Board's proposed plan, increase the level of uncertainty of such estimates. As such, the estimate of insurance program costs contains considerable uncertainty and variability and actual experience may not conform to the assumptions used.



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Dave Bond, F.S.A., M.A.A.A.  
Managing Partner



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Bradley Paulis  
Reviewing Partner

# **West Virginia Public Employees Insurance Agency**

## **Report of Independent Actuary**

### **March 31, 2004 Quarterly Report**

#### **OVERVIEW**

This report analyzes revenues and expenses related to funding the life and health insurance benefits of active and retired employees of the State and various related agencies, together with their dependents. This report is intended for the sole use of the Finance Board, and any other use requires written approval by CCRC Actuaries.

This report was compiled, based upon claims data collected by PEIA's third party administrators through April 2004 for prescription drugs and medical claims. Enrollment data was provided at special request from PEIA as was information on administrative expenses, managed care capitations, and plan revenues. Revenue assumptions are based on premium rates, assumed interest income and significant general and special revenue allocations provided by the Governor, some which have not been approved by the legislature. In addition, some information became available through presentations made at the Finance Board meetings, which has been used in arriving at our conclusions.

The State of West Virginia Public Employees Insurance Agency Act establishes the actuarial reporting requirements for PEIA as the incurred basis for medical claims and capitations and on an accrued basis for administrative expenses and revenue. In addition, the Act was amended in Senate Bill 702 in 1998 to include reporting on a projection period of not to exceed five years and to include an accrual and incurred basis for revenues and expenses. At the request of the Finance Board, the reporting basis is based upon the division of employees and retirees into three funds: Active Local Employee Fund, Retired Employee Fund and State Employee Fund. The Active Local Fund represents local governmental agencies, county governmental agencies and other public entities. The Retiree Fund represents all state and local agency retirees and their survivors. The State Fund represents active state employees, colleges and university employees and county boards of education employees. The Active Local Fund and the State Fund are allocated administrative costs and retiree subsidy costs based on each fund's proportionate total revenue levels.

## **KEY ASSUMPTIONS**

### **A. Enrollment Changes**

These projections include the assumption that Preferred Provider Benefit and Managed Care enrollment will not change from the May 2004 enrollment for the duration of these forecasts for active employees. However, the PEIA Finance Board has requested for the projection to assume retiree enrollment growth consistent with the experience of the plan. These projections assume that the Retiree Fund will annually have 1,000 additional retirees. Actual experience through May 2004 is an increase of 2,136 retiree coverages since June 2003. It should be noted that the source of the May enrollment information is an updated database developed by PEIA and the EIAS system. While overall enrollment is similar in both systems, the new database indicates a higher number of Non-Medicare retirees and we have incorporated this assumption in our forecast.

In aggregate, May 2004 enrollment has increased by 2,270 coverages since FYE 2003. The most significant enrollment changes in FY 2004 include a reduction of 497 family coverages in the State Active Fund, with the majority of the reduction in the PPB. In the State Fund, single policyholder enrollment increased by 165 in the PPB option and 106 in managed care. In the Local Active fund an increase of 409 coverages was observed. The following chart summarizes the current enrollment as of the selected monthly billing dates of June 2002, June 2003 and May 2004 for purposes of comparison:

PEIA Fund	Coverage	Preferred Provider Benefit			Managed Care		
		Jun-02	Jun-03	May-04	Jun-02	Jun-03	May-04
State Active	Single	17,421	17,777	17,942	3,464	3,924	4,030
	Children	4,720	4,814	4,704	817	840	901
	<u>Family</u>	<u>31,692</u>	<u>31,001</u>	<u>30,503</u>	<u>5,074</u>	<u>5,090</u>	<u>5,091</u>
	Total	53,833	53,592	53,149	9,355	9,854	10,022
Local Active	Single	3,143	3,371	3,447	289	329	386
	Children	565	566	571	143	147	180
	<u>Family</u>	<u>4,064</u>	<u>4,223</u>	<u>4,490</u>	<u>127</u>	<u>138</u>	<u>109</u>
	Total	7,772	8,160	8,508	559	614	675
Retirees	Medicare Single	14,827	15,003	15,824	-	-	-
	<u>Medicare Family</u>	<u>8,113</u>	<u>8,315</u>	<u>8,911</u>	-	-	-
	Medicare Total	22,940	23,318	24,735	-	-	-
	Non Medicare Single	2,284	2,329	2,571	187	155	190
	<u>Non Medicare Family</u>	<u>3,302</u>	<u>3,339</u>	<u>3,756</u>	<u>174</u>	<u>157</u>	<u>182</u>
	Non Medicare Total	5,586	5,668	6,327	361	312	372
	Retiree Total	28,526	28,986	31,062	361	312	372
Plan Total		90,131	90,738	92,719	10,275	10,780	11,069

## **B. Changes in Claim Backlog**

The claim backlog has been relatively stable since August 2002.

Month	Average Backlog
September 2000	104,000
October 2000	92,000
November 2000	114,000
December 2000	109,000
January 2001	98,000
February 2001	92,000
March 2001	86,000
April 2001	77,000
May 2001	69,000
June 2001	70,000
July 2001	68,000
August 2001	72,000
September 2001	81,000
October 2001	74,000
November 2001	97,000
December 2001	113,000
January 2002	80,000
February 2002	70,000
March 2002	72,000
April 2002	63,000
May 2002	71,000
June 2002	73,000
July 2002	93,000
August 2002	95,000

Month	Average Backlog
September 2002	85,000
October 2002	74,000
November 2002	68,000
December 2002	79,000
January 2003	88,000
February 2003	84,000
March 2003	86,000
April 2003	78,000
May 2003	72,000
June 2003	65,000
July 2003	68,000
August 2003	69,000
September 2003	70,000
October 2003	79,000
November 2003	75,000
December 2003	83,000
January 2004	86,000
February 2004	82,000
March 2004	81,000
April 2004	82,000

## **C. Trend Analysis**

CCRC Actuaries performed a detailed trend analysis in the report titled, "Medical Trend Report - September, 2003". This report includes a detailed trend analysis of PEIA experience by medical category and whether PEIA or Medicare was primary. Based on this analysis, we have increased the FY 2004 Non-Medicare medical claim trend in this projection by 1%. In addition, the Medicare medical claim trend has been increased by 1% throughout the projection, based on an observed emergence of trend and the Federal government reversing an earlier cut-back of reimbursement. Prescription drugs trends for both Medicare and Non-Medicare have been reduced to 20% in FY 2004, based on the fact that the drugs trend combined has been around 16% on an adjusted exposure basis since the beginning of FY 2003. The current projection assumes the trends on the following page:

Claim Type	FY 2004 Trend
Non-Medicare – Medical	10.0%
Non-Medicare – Drugs	20.0%
Medicare – Medical	7.5%
Medicare – Drugs	20.0%

In addition, we have assumed that trends will increase by 0.5% in each successive Fiscal Year beginning in FY 2005. At the Finance Board's request the baseline trend assumptions have been established to reflect the most likely or expected trends. In order to provide information on the impact of varying trend assumptions, two alternative trend scenarios were developed. The Optimistic Scenario incorporates trend assumptions 2% below the Baseline Scenario and the Pessimistic Scenario incorporates trend assumptions 2% above the Baseline Scenario.

The chart below summarizes the trend results observed for the plan using data through April 2004. It is important to note that these trends *have not* been adjusted to reflect savings as a result of the drug rebate program or the claim savings due to changes in provider reimbursement methodologies nor changes in the benefit structure. In developing the claim cost projection, we have reflected for benefit and reimbursement changes as an adjustment to the gross trend assumptions detailed on the prior page.

#### **PEIA Historical Trends**

<b>Fiscal Year</b>	<b>Medical Medicare</b>	<b>Medical Non-Medicare</b>	<b>Drugs Medicare</b>	<b>Drugs Non-Medicare</b>	<b>Total</b>
1991	6%	1%			2%
1992	1%	12%			11%
1993	2%	8%	20%	25%	10%
1994	5%	3%	15%	20%	6%
1995	5%	9%	12%	18%	7%
1996	12%	12%	15%	31%	15%
1997	3%	10%	7%	19%	10%
1998	4%	-3%	8%	4%	0%
1999	4%	3%	15%	22%	8%
2000	9%	-6%	-10%	-14%	-6%
2001	6%	17%	30%	35%	20%
2002	3%	5%	19%	17%	8%
2003	3%	1%	13%	15%	5%

While the unadjusted trend of 1% for FY 2003 Medical Non-Medicare claims is favorable to PEIA, it should be noted that this trend was 11% when adjusted for the impact of the Medicaid/PEIA Hospital Bill, which will expire in Fiscal Year 2006.

#### **D. Enrollment, Claim, Expense and Revenue Assumptions**

Using PEIA paid claim data through April 2004 for medical claims and for prescription drugs claims, average annualized incurred unit claim costs were developed for type of Fund and Program type. CCRC Actuaries has developed the claim cost on an adjusted exposure basis using the respective credibility of each claim category. For example, prescription drugs claims are generally paid in the month of incurral and the most recent incurred months are credible. Conversely, medical claims take longer to be paid, so the most recent incurred months are not credible. The adjusted exposure basis weights the claim cost under each coverage type based on observed differences in health care cost. For example, under this methodology single coverage types are given a weight of 1.0 exposure, whereas member and children coverages are given a greater weighting based on historical expected health care cost relationships. It should be noted that these weights have been adjusted for this report reflecting changes in coverage costs. Based on this methodology, the projection of FY 2004 claims and expenses are summarized in the chart below. It should be noted that all of these numbers are on a per coverage basis. PEIA has recently implemented a new enrollment system that improved the accuracy of the data obtained. The most notable change was a decrease in the Medicare Retiree and a corresponding increase in the Non-Medicare Retiree coverages.

<b>Fiscal Year 2004 Projection</b>			<b>Revenue</b>		<b>Expenses</b>		
<b>Fund</b>	<b>Program</b>	<b>Coverages</b>	<b>Monthly Employer Premiums</b>	<b>Monthly Employee Premiums</b>	<b>Monthly Medical Costs</b>	<b>Monthly Drugs Costs</b>	<b>Monthly Capitation Costs</b>
State	PPB	53,197	\$ 500	\$ 106	\$ 304	\$ 102	
	<u>Managed Care</u>	<u>9,964</u>	\$ 480	\$ 124			\$ 415
	Total	63,161					
Local	PPB	8,701	\$ 539	\$ -	\$ 285	\$ 83	
	<u>Managed Care</u>	<u>673</u>	\$ 502	\$ -			\$ 346
	Total	9,374					
Retiree	PPB - Medicare	23,941			\$ 140	184	
	<u>PPB – Non-Medicare</u>	<u>6,023</u>			<u>\$ 433</u>	<u>157</u>	
	PPB - Total	29,964	\$ -	\$ 139	\$ 199	179	
	<u>Managed Care</u>	<u>331</u>	\$ -	\$ 419			\$ 733
	Total	30,295					

The number of coverage and the associated revenue and expense assumptions are consistent with the December 31, 2003 Quarterly Report dated March 2004. Both medical and prescription drugs expenditures increased slightly.



Projected plan revenues, administrative expenses, life insurance premiums, and the amount to be spent on wellness programs were provided by PEIA. Interest income is currently allocated to each fund based on average reserve levels for each fund.

The Finance Board approved the following plan assumptions for the projection found in Appendix A with respect to additional revenue in developing the Financial Plan at its meeting in December 2003. This projection assumes that, beginning in FY 2006, the retiree subsidy is not part of the employer and employee split calculation:

<b>Source</b>	<b>Fiscal Year 2004</b>	<b>Fiscal Year 2005</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2008</b>
<b>Additional State Revenue</b>	\$42,000,000	\$8,000,000	\$69,000,000	\$98,000,000	\$82,000,000
<b>Additional Local Agency Revenue</b>	\$6,500,000	\$5,000,000	\$9,000,000	\$11,000,000	\$15,000,000
<b>Additional Employee Contributions</b>	\$14,800,000	\$0	\$2,100,000	\$16,900,000	\$14,800,000
<b>Additional Retiree Premiums</b>	\$5,000,000	\$0	\$9,000,000	\$10,000,000	\$16,000,000

Under the former definition of employer and employee split, in which the employees shared in the financing of the retiree subsidy, the required revenues are shown below. This projection is shown in Appendix B:

<b>Source</b>	<b>Fiscal Year 2004</b>	<b>Fiscal Year 2005</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2008</b>
<b>Additional State Revenue</b>	\$42,000,000	\$8,000,000	\$40,000,000	\$92,000,000	\$85,000,000
<b>Additional Local Agency Revenue</b>	\$6,500,000	\$5,000,000	\$9,000,000	\$11,000,000	\$15,000,000
<b>Additional Employee Contributions</b>	\$14,800,000	\$0	\$23,300,000	\$23,300,000	\$21,200,000
<b>Additional Retiree Premiums</b>	\$5,000,000	\$0	\$9,000,000	\$10,000,000	\$16,000,000

Additional state revenues are based on the current commitment received from the Governor for Fiscal Year 2004. Future state revenue increases will require legislative appropriation. Additional local agency revenue represents premium increases to be charged to local agencies. Additional employee contributions represent employee premiums paid by active employees participating in the State Fund. Additional retiree premiums represent premiums paid by retirees either directly or through Sick and Annual Leave credits.

In addition, PEIA management has assumed that the Retiree Premium Assistance Program will grow as a direct result from the required retiree premium increases in the Financial Plan. The program's cost is currently projected to grow from \$2.4 million in FY 2004 to \$5.0 million in FY 2008, based on the substantial increases in retiree premiums assumed in the financial plan.

#### **E. Provider Reimbursement Changes**

The Medicaid/PEIA Hospital Bill resulted in PEIA hospital savings of approximately \$10,500,000 in Fiscal Year 2003. These hospital savings are assumed to increase by the medical trend assumptions in Fiscal Year 2004 and Fiscal Year 2005 and end with the termination of the legislation at the beginning of Fiscal Year 2006. Prior to the implementation of the Medicaid/PEIA Hospital Bill, PEIA received \$6,000,000 in Direct Transfers and the projections assume that the Direct Transfers will resume in Fiscal Year 2006 through Fiscal Year 2008.

#### **FISCAL YEAR 2004 FORECAST**

The financial forecast for FY 2004 under the Baseline scenario is presented in Appendix A and Appendix B. In Appendix A, the Baseline forecast for FY 2004, projects accrued revenue of \$578,039,876 and incurred plan expenses of \$521,683,425 to produce a fiscal year surplus of \$56,356,451. This surplus was last projected to be \$54,712,538 in the December 31, 2003 Quarterly Report dated March 2004.

Under the Baseline Scenario, FY 2004 is projected to end with a reserve of \$132,527,911. This projected reserve meets the 10% of program expense requirement. Under the Optimistic Scenario, the ending reserve is expected to increase to \$135,318,247 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$129,757,711.

#### **FISCAL YEAR 2005 FORECAST**

The financial forecast for FY 2005 under the Baseline scenario is presented in Appendix A and Appendix B. In Appendix A, the Baseline forecast for FY 2005, projects accrued revenue of \$593,497,900 and incurred plan expenses of \$593,168,315 to produce a fiscal year surplus of \$329,585. This surplus was last projected to be \$1,159,504 in the December 31, 2003 Quarterly Report dated March 2004.

Under the Baseline Scenario, FY 2005 is projected to end with a reserve of \$132,857,496. This projected reserve meets the 10% of program expense requirement. Under the Optimistic Scenario, the ending reserve is expected to increase to \$147,626,604 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$118,018,895.

## **FISCAL YEAR 2006 FORECAST**

The financial forecast for FY 2006 under the Baseline scenario is presented in Appendix A and Appendix B. In Appendix A, the Baseline forecast for FY 2006, projects accrued revenue of \$692,334,793 and incurred plan expenses of \$676,761,447 to produce a fiscal year surplus of \$15,573,345. This surplus was last projected to be a deficit of (\$682,684) in the December 31, 2003 Quarterly Report dated March 2004.

Under the Baseline Scenario, FY 2006 is projected to end with a reserve of \$148,430,841. This projected reserve meets the 10% of program expense requirement. Under the Optimistic Scenario, the ending reserve is expected to increase to \$186,908,121 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$109,295,890.

The principal reason for the higher forecast operating results from the December 31, 2003 Quarterly Report dated March 2004 is the anticipated increase in projected additional State Revenue, Employee Contributions and Retiree Premiums.

## **FISCAL YEAR 2007 FORECAST**

The financial forecast for FY 2007 under the Baseline scenario is presented in Appendix A and Appendix B. In Appendix A, the Baseline forecast for FY 2007, projects accrued revenue of \$833,140,553 and incurred plan expenses of \$776,079,395 to produce a fiscal year surplus of \$57,061,158. This surplus was last projected to be \$34,066,705 in the December 31, 2003 Quarterly Report dated March 2004.

Under the Baseline Scenario, FY 2007 is projected to end with a reserve of \$205,491,999. This projected reserve meets the 10% of program expense requirement. Under the Optimistic Scenario, the ending reserve is expected to increase to \$282,707,805 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$125,970,756.

The principal reason for the higher forecast operating results from the December 31, 2003 Quarterly Report dated March 2004 is the anticipated increase in projected additional State Revenue, Employee Contributions and Retiree Premiums.

## **FISCAL YEAR 2008 FORECAST**

The financial forecast for FY 2008 under the Baseline scenario is presented in Appendix A and Appendix B. In Appendix A, the Baseline forecast for FY 2008, projects accrued revenue of \$968,135,692 and incurred plan expenses of \$896,191,685 to produce a fiscal year surplus of \$71,944,007. This surplus was last projected to be \$39,636,019 in the December 31, 2003 Quarterly Report dated March 2004.

Under the Baseline Scenario, FY 2008 is projected to end with a reserve of \$277,436,006. This projected reserve meets the 10% of program expense requirement. Under the Optimistic Scenario, the ending reserve is expected to increase to \$412,695,628 and under the Pessimistic Scenario, the ending reserve is expected to decrease to \$136,360,340.

## **LITIGATION**

The forecasts presented in the attached tables do not contemplate any additional revenues or expenses to be generated from litigation activities.

## **SUMMARY**

With projected changes to the Plan as adopted in the Financial Plan by the PEIA Finance Board, we are forecasting that the Plan will meet the 10% reserve target through the projection period ending with the Fiscal Year 2008 using the Baseline assumptions. These projections are based on significant revenue increases projected by PEIA and are contingent on legislative approval. These forecasts are based on assumptions including the estimated cost and savings of plan changes, expected trend levels and exposure levels. The continued enrollment changes of the managed care options, changes in physician, ambulatory and hospital provider reimbursement; possible changes in methodology of managed care premium calculation; and changes in the prescription drugs program, can be expected to further exacerbate the difficulty of projecting future medical and drugs claim levels and lags. These projections do not incorporate any anticipated effects of national or state health care reform, such as Medicare and Medicaid reform. As such, actual results deviating from those amounts projected in these pages should not be unexpected. With the advent of a five-year projection, it should be assumed that constant modifications would be required.

**APPENDIX A - Employer & Employee Finance Retiree Subsidy  
Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2004**

**PERIOD 7/1/2003 - 6/30/2004**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 56,241,247	\$ -	\$ 319,318,668	\$ 375,559,916
Employer Premiums - MCO	4,053,899	-	57,434,165	61,488,065
Employee Premiums - PPB	-	47,080,753	67,759,270	114,840,023
Employee Premiums - MCO	-	1,566,254	14,842,605	16,408,859
Direct Transfers	-	-	-	-
Investment Income	98,093		1,041,831	1,139,924
Retiree Subsidy Revenue		2,644,452		2,644,452
Administrative Fees	437,650		5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 60,830,889</b>	<b>\$ 51,291,458</b>	<b>\$ 465,917,528</b>	<b>\$ 578,039,876</b>
<u>Program Expenses</u>				
Medical Claims	\$ 29,729,438	\$ 71,396,775	\$ 194,319,731	\$ 295,445,945
Prescription Drug Claims	8,701,270	64,261,842	65,027,872	137,990,983
Managed Care Capitations	2,796,167	2,909,674	49,663,794	55,369,635
Administration	2,318,360	1,954,797	17,756,843	22,030,000
Life Insurance	599,269	526,549	5,221,044	6,346,862
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	2,400,000	-	2,400,000
Director's Discretionary Fund	44,333	156,492	299,176	500,000
<b>Total Expenses</b>	<b>\$ 44,373,610</b>	<b>\$ 143,606,129</b>	<b>\$ 333,703,686</b>	<b>\$ 521,683,425</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 10,660,846</b>	<b>\$ (92,314,671)</b>	<b>\$ 81,653,825</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 5,796,434</b>	<b>\$ -</b>	<b>\$ 50,560,017</b>	<b>\$ 56,356,451</b>
<b>Beginning Plan Reserve</b>	<b>4,107,851</b>	<b>-</b>	<b>72,063,610</b>	<b>76,171,461</b>
<b>Ending Plan Reserve</b>	<b>\$ 9,904,285</b>	<b>\$ -</b>	<b>\$ 122,623,627</b>	<b>\$ 132,527,911</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 42,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 6,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 14,800,000	Non-Medicare	10.0%	20.0%
Additional Retiree Premiums	\$ 5,000,000	Medicare	7.5%	20.0%
Savings from Benefit Reductions	\$ -	Capitations		10.0%
Number of Net New Retirees	1,000	Administrative Expense		11.0%

**APPENDIX A - Employer & Employee Finance Retiree Subsidy  
Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2005**

**PERIOD 7/1/2004 - 6/30/2005**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 60,905,076	\$ -	\$ 326,099,106	\$ 387,004,182
Employer Premiums - MCO	4,390,071	-	58,653,727	63,043,798
Employee Premiums - PPB	-	48,619,690	67,759,270	116,378,960
Employee Premiums - MCO	-	1,617,450	14,842,605	16,460,055
Direct Transfers	-	-	-	-
Investment Income	154,647		1,535,833	1,690,481
Retiree Subsidy Revenue		2,961,786		2,961,786
Administrative Fees	437,650		5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 65,887,444</b>	<b>\$ 53,198,926</b>	<b>\$ 474,411,529</b>	<b>\$ 593,497,900</b>
<u>Program Expenses</u>				
Medical Claims	\$ 32,095,422	\$ 81,715,731	\$ 215,562,557	\$ 329,373,710
Prescription Drug Claims	10,246,367	81,114,122	78,681,560	170,042,049
Managed Care Capitations	2,935,975	3,055,158	52,146,984	58,138,117
Administration	2,383,631	2,009,833	18,256,771	22,650,236
Life Insurance	629,232	552,876	5,482,096	6,664,204
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	2,700,000	-	2,700,000
Director's Discretionary Fund	169,565	652,081	1,178,353	2,000,000
<b>Total Expenses</b>	<b>\$ 48,644,967</b>	<b>\$ 171,799,801</b>	<b>\$ 372,723,547</b>	<b>\$ 593,168,315</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 14,462,934</b>	<b>\$ (118,600,875)</b>	<b>\$ 104,137,941</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 2,779,543</b>	<b>\$ -</b>	<b>\$ (2,449,958)</b>	<b>\$ 329,585</b>
<b>Beginning Plan Reserve</b>	<b>9,904,285</b>	<b>-</b>	<b>122,623,627</b>	<b>132,527,911</b>
<b>Ending Plan Reserve</b>	<b>\$ 12,683,827</b>	<b>\$ -</b>	<b>\$ 120,173,668</b>	<b>\$ 132,857,496</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 8,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 5,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Non-Medicare	10.5%	20.5%
Additional Retiree Premiums	\$ -	Medicare	8.0%	20.5%
Savings from Benefit Reductions	\$ -	Capitations		5.0%
Number of Net New Retirees	1,000	Administrative Expense		2.8%

**APPENDIX A - Employer Finances Retiree Subsidy**

**Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2006**

**PERIOD 7/1/2005 - 6/30/2006**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 69,299,968	\$ -	\$ 384,580,386	\$ 453,880,354
Employer Premiums - MCO	4,995,179	-	69,172,447	74,167,626
Employee Premiums - PPB	-	60,544,766	69,481,924	130,026,690
Employee Premiums - MCO	-	2,014,166	15,219,951	17,234,117
Direct Transfers	-	-	6,000,000	6,000,000
Investment Income	186,636		1,563,532	1,750,167
Retiree Subsidy Revenue		3,317,201		3,317,201
Administrative Fees	437,650		5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 74,919,433</b>	<b>\$ 65,876,133</b>	<b>\$ 551,539,228</b>	<b>\$ 692,334,793</b>
<u>Program Expenses</u>				
Medical Claims	\$ 35,553,633	\$ 92,578,610	\$ 238,788,943	\$ 366,921,186
Prescription Drug Claims	12,375,396	100,746,464	95,030,309	208,152,169
Managed Care Capitations	3,229,573	3,360,674	57,361,682	63,951,929
Administration	2,492,289	2,101,451	19,089,007	23,682,748
Life Insurance	660,694	580,520	5,756,201	6,997,415
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	3,456,000	-	3,456,000
Director's Discretionary Fund	166,688	672,349	1,160,962	2,000,000
<b>Total Expenses</b>	<b>\$ 54,663,047</b>	<b>\$ 203,496,069</b>	<b>\$ 418,602,331</b>	<b>\$ 676,761,447</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 16,458,241</b>	<b>\$ (137,619,937)</b>	<b>\$ 121,161,696</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 3,798,144</b>	<b>\$ -</b>	<b>\$ 11,775,201</b>	<b>\$ 15,573,345</b>
<b>Beginning Plan Reserve</b>	<b>12,683,827</b>	<b>-</b>	<b>120,173,668</b>	<b>132,857,496</b>
<b>Ending Plan Reserve</b>	<b>\$ 16,481,972</b>	<b>\$ -</b>	<b>\$ 131,948,870</b>	<b>\$ 148,430,841</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 69,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 9,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 2,100,000	Non-Medicare	11.0%	21.0%
Additional Retiree Premiums	\$ 9,000,000	Medicare	8.5%	21.0%
Savings from Benefit Reductions	\$ -	Capitations		10.0%
Number of Net New Retirees	1,000	Administrative Expense		4.6%

**APPENDIX A - Employer Finances Retiree Subsidy**

**Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2007**

**PERIOD 7/1/2006 - 6/30/2007**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 79,560,391	\$ -	\$ 467,640,755	\$ 547,201,146
Employer Premiums - MCO	5,734,756	-	84,112,078	89,846,834
Employee Premiums - PPB	-	74,390,823	83,345,189	157,736,012
Employee Premiums - MCO	-	2,474,788	18,256,686	20,731,474
Direct Transfers	-	-	6,000,000	6,000,000
Investment Income	228,460		1,722,725	1,951,184
Retiree Subsidy Revenue		3,715,265		3,715,265
Administrative Fees	437,650		5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 85,961,257</b>	<b>\$ 80,580,876</b>	<b>\$ 666,598,421</b>	<b>\$ 833,140,553</b>
<u>Program Expenses</u>				
Medical Claims	\$ 39,562,292	\$ 105,283,080	\$ 265,712,314	\$ 410,557,687
Prescription Drug Claims	15,008,701	125,553,138	115,251,378	255,813,216
Managed Care Capitations	3,552,530	3,696,741	63,097,850	70,347,121
Administration	2,553,762	2,153,284	19,559,839	24,266,885
Life Insurance	693,729	609,546	6,044,011	7,347,286
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	4,147,200	-	4,147,200
Director's Discretionary Fund	163,786	692,816	1,143,398	2,000,000
<b>Total Expenses</b>	<b>\$ 61,719,573</b>	<b>\$ 242,135,805</b>	<b>\$ 472,224,017</b>	<b>\$ 776,079,395</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 18,453,639</b>	<b>\$ (161,554,929)</b>	<b>\$ 143,101,290</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 5,788,044</b>	<b>\$ -</b>	<b>\$ 51,273,114</b>	<b>\$ 57,061,158</b>
<b>Beginning Plan Reserve</b>	<b>16,481,972</b>	<b>-</b>	<b>131,948,870</b>	<b>148,430,841</b>
<b>Ending Plan Reserve</b>	<b>\$ 22,270,016</b>	<b>\$ -</b>	<b>\$ 183,221,983</b>	<b>\$ 205,491,999</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 98,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 11,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 16,900,000	Non-Medicare	11.5%	21.5%
Additional Retiree Premiums	\$ 10,000,000	Medicare	9.0%	21.5%
Savings from Benefit Reductions	\$ -	Capitations		10.0%
Number of Net New Retirees	1,000	Administrative Expense		2.5%



**APPENDIX A - Employer Finances Retiree Subsidy**

**Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2008**

**PERIOD 7/1/2007 - 6/30/2008**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 93,551,877	\$ -	\$ 537,140,248	\$ 630,692,125
Employer Premiums - MCO	6,743,270	-	96,612,585	103,355,855
Employee Premiums - PPB	-	95,850,617	95,485,800	191,336,417
Employee Premiums - MCO	-	3,188,699	20,916,075	24,104,774
Direct Transfers	-	-	6,000,000	6,000,000
Investment Income	288,816	-	2,237,971	2,526,787
Retiree Subsidy Revenue	-	4,161,096	-	4,161,096
Administrative Fees	437,650	-	5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 101,021,613</b>	<b>\$ 103,200,412</b>	<b>\$ 763,913,667</b>	<b>\$ 968,135,692</b>
<u>Program Expenses</u>				
Medical Claims	\$ 44,220,813	\$ 120,188,050	\$ 297,000,344	\$ 461,409,207
Prescription Drug Claims	18,277,403	157,000,074	140,351,650	315,629,127
Managed Care Capitations	3,907,783	4,066,415	69,407,635	77,381,833
Administration	2,681,450	2,260,948	20,537,831	25,480,229
Life Insurance	728,415	640,023	6,346,212	7,714,650
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	4,976,640	-	4,976,640
Director's Discretionary Fund	160,863	713,448	1,125,690	2,000,000
<b>Total Expenses</b>	<b>\$ 70,161,500</b>	<b>\$ 289,845,597</b>	<b>\$ 536,184,588</b>	<b>\$ 896,191,685</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 21,799,547</b>	<b>\$ (186,645,185)</b>	<b>\$ 164,845,638</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 9,060,565</b>	<b>\$ -</b>	<b>\$ 62,883,441</b>	<b>\$ 71,944,007</b>
<b>Beginning Plan Reserve</b>	<b>22,270,016</b>	<b>-</b>	<b>183,221,983</b>	<b>205,491,999</b>
<b>Ending Plan Reserve</b>	<b>\$ 31,330,581</b>	<b>\$ -</b>	<b>\$ 246,105,425</b>	<b>\$ 277,436,006</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 82,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 15,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 14,800,000	Non-Medicare	12.0%	22.0%
Additional Retiree Premiums	\$ 16,000,000	Medicare	9.5%	22.0%
Savings from Benefit Reductions	\$ -	Capitations		10.0%
Number of Net New Retirees	1,000	Administrative Expense		5.0%

**APPENDIX B - Employer & Employee Finance Retiree Subsidy  
Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2004**

**PERIOD 7/1/2003 - 6/30/2004**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 56,241,247	\$ -	\$ 319,318,668	\$ 375,559,916
Employer Premiums - MCO	4,053,899	-	57,434,165	61,488,065
Employee Premiums - PPB	-	47,080,753	67,759,270	114,840,023
Employee Premiums - MCO	-	1,566,254	14,842,605	16,408,859
Direct Transfers	-	-	-	-
Investment Income	98,093		1,041,831	1,139,924
Retiree Subsidy Revenue		2,644,452		2,644,452
Administrative Fees	437,650		5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 60,830,889</b>	<b>\$ 51,291,458</b>	<b>\$ 465,917,528</b>	<b>\$ 578,039,876</b>
<u>Program Expenses</u>				
Medical Claims	\$ 29,729,438	\$ 71,396,775	\$ 194,319,731	\$ 295,445,945
Prescription Drug Claims	8,701,270	64,261,842	65,027,872	137,990,983
Managed Care Capitations	2,796,167	2,909,674	49,663,794	55,369,635
Administration	2,318,360	1,954,797	17,756,843	22,030,000
Life Insurance	599,269	526,549	5,221,044	6,346,862
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	2,400,000	-	2,400,000
Director's Discretionary Fund	44,333	156,492	299,176	500,000
<b>Total Expenses</b>	<b>\$ 44,373,610</b>	<b>\$ 143,606,129</b>	<b>\$ 333,703,686</b>	<b>\$ 521,683,425</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 10,660,846</b>	<b>\$ (92,314,671)</b>	<b>\$ 81,653,825</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 5,796,434</b>	<b>\$ -</b>	<b>\$ 50,560,017</b>	<b>\$ 56,356,451</b>
<b>Beginning Plan Reserve</b>	<b>4,107,851</b>	<b>-</b>	<b>72,063,610</b>	<b>76,171,461</b>
<b>Ending Plan Reserve</b>	<b>\$ 9,904,285</b>	<b>\$ -</b>	<b>\$ 122,623,627</b>	<b>\$ 132,527,911</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 42,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 6,500,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 14,800,000	Non-Medicare	10.0%	20.0%
Additional Retiree Premiums	\$ 5,000,000	Medicare	7.5%	20.0%
Savings from Benefit Reductions	\$ -	Capitations		10.0%
Number of Net New Retirees	1,000	Administrative Expense		11.0%

**APPENDIX B - Employer & Employee Finance Retiree Subsidy  
Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2005**

**PERIOD 7/1/2004 - 6/30/2005**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 60,905,076	\$ -	\$ 326,099,106	\$ 387,004,182
Employer Premiums - MCO	4,390,071	-	58,653,727	63,043,798
Employee Premiums - PPB	-	48,619,690	67,759,270	116,378,960
Employee Premiums - MCO	-	1,617,450	14,842,605	16,460,055
Direct Transfers	-	-	-	-
Investment Income	154,647		1,535,833	1,690,481
Retiree Subsidy Revenue		2,961,786		2,961,786
Administrative Fees	437,650		5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 65,887,444</b>	<b>\$ 53,198,926</b>	<b>\$ 474,411,529</b>	<b>\$ 593,497,900</b>
<u>Program Expenses</u>				
Medical Claims	\$ 32,095,422	\$ 81,715,731	\$ 215,562,557	\$ 329,373,710
Prescription Drug Claims	10,246,367	81,114,122	78,681,560	170,042,049
Managed Care Capitations	2,935,975	3,055,158	52,146,984	58,138,117
Administration	2,383,631	2,009,833	18,256,771	22,650,236
Life Insurance	629,232	552,876	5,482,096	6,664,204
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	2,700,000	-	2,700,000
Director's Discretionary Fund	169,565	652,081	1,178,353	2,000,000
<b>Total Expenses</b>	<b>\$ 48,644,967</b>	<b>\$ 171,799,801</b>	<b>\$ 372,723,547</b>	<b>\$ 593,168,315</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 14,462,934</b>	<b>\$ (118,600,875)</b>	<b>\$ 104,137,941</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 2,779,543</b>	<b>\$ -</b>	<b>\$ (2,449,958)</b>	<b>\$ 329,585</b>
<b>Beginning Plan Reserve</b>	<b>9,904,285</b>	<b>-</b>	<b>122,623,627</b>	<b>132,527,911</b>
<b>Ending Plan Reserve</b>	<b>\$ 12,683,827</b>	<b>\$ -</b>	<b>\$ 120,173,668</b>	<b>\$ 132,857,496</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 8,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 5,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ -	Non-Medicare	10.5%	20.5%
Additional Retiree Premiums	\$ -	Medicare	8.0%	20.5%
Savings from Benefit Reductions	\$ -	Capitations		5.0%
Number of Net New Retirees	1,000	Administrative Expense		2.8%

**APPENDIX B - Employer & Employee Finance Retiree Subsidy  
Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2006**

**PERIOD 7/1/2005 - 6/30/2006**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 69,299,968	\$ -	\$ 360,001,298	\$ 429,301,266
Employer Premiums - MCO	4,995,179	-	64,751,535	69,746,714
Employee Premiums - PPB	-	60,544,766	86,872,529	147,417,295
Employee Premiums - MCO	-	2,014,166	19,029,346	21,043,512
Direct Transfers	-	-	6,000,000	6,000,000
Investment Income	186,636		1,563,532	1,750,167
Retiree Subsidy Revenue		3,317,201		3,317,201
Administrative Fees	437,650		5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 74,919,433</b>	<b>\$ 65,876,133</b>	<b>\$ 543,739,228</b>	<b>\$ 684,534,793</b>
<u>Program Expenses</u>				
Medical Claims	\$ 35,553,633	\$ 92,578,610	\$ 238,788,943	\$ 366,921,186
Prescription Drug Claims	12,375,396	100,746,464	95,030,309	208,152,169
Managed Care Capitations	3,229,573	3,360,674	57,361,682	63,951,929
Administration	2,492,289	2,101,451	19,089,007	23,682,748
Life Insurance	660,694	580,520	5,756,201	6,997,415
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	3,456,000	-	3,456,000
Director's Discretionary Fund	166,688	672,349	1,160,962	2,000,000
<b>Total Expenses</b>	<b>\$ 54,663,047</b>	<b>\$ 203,496,069</b>	<b>\$ 418,602,331</b>	<b>\$ 676,761,447</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 16,665,745</b>	<b>\$ (137,619,937)</b>	<b>\$ 120,954,191</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 3,590,640</b>	<b>\$ -</b>	<b>\$ 4,182,705</b>	<b>\$ 7,773,345</b>
<b>Beginning Plan Reserve</b>	<b>12,683,827</b>	<b>-</b>	<b>120,173,668</b>	<b>132,857,496</b>
<b>Ending Plan Reserve</b>	<b>\$ 16,274,468</b>	<b>\$ -</b>	<b>\$ 124,356,374</b>	<b>\$ 140,630,841</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 40,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 9,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 23,300,000	Non-Medicare	11.0%	21.0%
Additional Retiree Premiums	\$ 9,000,000	Medicare	8.5%	21.0%
Savings from Benefit Reductions	\$ -	Capitations		10.0%
Number of Net New Retirees	1,000	Administrative Expense		4.6%

**APPENDIX B - Employer & Employee Finance Retiree Subsidy  
Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2007**

**PERIOD 7/1/2006 - 6/30/2007**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 79,560,391	\$ -	\$ 437,976,339	\$ 517,536,730
Employer Premiums - MCO	5,734,756	-	78,776,494	84,511,250
Employee Premiums - PPB	-	74,390,823	105,985,788	180,376,611
Employee Premiums - MCO	-	2,474,788	23,216,087	25,690,875
Direct Transfers	-	-	6,000,000	6,000,000
Investment Income	228,460		1,722,725	1,951,184
Retiree Subsidy Revenue		3,715,265		3,715,265
Administrative Fees	437,650		5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 85,961,257</b>	<b>\$ 80,580,876</b>	<b>\$ 659,198,421</b>	<b>\$ 825,740,553</b>
<u>Program Expenses</u>				
Medical Claims	\$ 39,562,292	\$ 105,283,080	\$ 265,712,314	\$ 410,557,687
Prescription Drug Claims	15,008,701	125,553,138	115,251,378	255,813,216
Managed Care Capitations	3,552,530	3,696,741	63,097,850	70,347,121
Administration	2,553,762	2,153,284	19,559,839	24,266,885
Life Insurance	693,729	609,546	6,044,011	7,347,286
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	4,147,200	-	4,147,200
Director's Discretionary Fund	163,786	692,816	1,143,398	2,000,000
<b>Total Expenses</b>	<b>\$ 61,719,573</b>	<b>\$ 242,135,805</b>	<b>\$ 472,224,017</b>	<b>\$ 776,079,395</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 18,636,898</b>	<b>\$ (161,554,929)</b>	<b>\$ 142,918,031</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 5,604,785</b>	<b>\$ -</b>	<b>\$ 44,056,372</b>	<b>\$ 49,661,158</b>
<b>Beginning Plan Reserve</b>	<b>16,274,468</b>	<b>-</b>	<b>124,356,374</b>	<b>140,630,841</b>
<b>Ending Plan Reserve</b>	<b>\$ 21,879,253</b>	<b>\$ -</b>	<b>\$ 168,412,746</b>	<b>\$ 190,291,999</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 92,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 11,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 23,300,000	Non-Medicare	11.5%	21.5%
Additional Retiree Premiums	\$ 10,000,000	Medicare	9.0%	21.5%
Savings from Benefit Reductions	\$ -	Capitations		10.0%
Number of Net New Retirees	1,000	Administrative Expense		2.5%

**APPENDIX B - Employer & Employee Finance Retiree Subsidy  
Baseline Scenario**

**WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
FINANCIAL FORECAST  
FISCAL YEAR 2008**

**PERIOD 7/1/2007 - 6/30/2008**

	<b>Active Local Fund</b>	<b>Retirees Fund</b>	<b>State Fund</b>	<b>PEIA Total</b>
<u>Revenues</u>				
Employer Premiums - PPB	\$ 93,551,877	\$ -	\$ 510,018,496	\$ 603,570,373
Employer Premiums - MCO	6,743,270	-	91,734,337	98,477,607
Employee Premiums - PPB	-	95,850,617	123,376,392	219,227,009
Employee Premiums - MCO	-	3,188,699	27,025,483	30,214,182
Direct Transfers	-	-	6,000,000	6,000,000
Investment Income	288,816	-	2,237,971	2,526,787
Retiree Subsidy Revenue	-	4,161,096	-	4,161,096
Administrative Fees	437,650	-	5,520,988	5,958,638
<b>Total Revenue</b>	<b>\$ 101,021,613</b>	<b>\$ 103,200,412</b>	<b>\$ 765,913,667</b>	<b>\$ 970,135,692</b>
<u>Program Expenses</u>				
Medical Claims	\$ 44,220,813	\$ 120,188,050	\$ 297,000,344	\$ 461,409,207
Prescription Drug Claims	18,277,403	157,000,074	140,351,650	315,629,127
Managed Care Capitations	3,907,783	4,066,415	69,407,635	77,381,833
Administration	2,681,450	2,260,948	20,537,831	25,480,229
Life Insurance	728,415	640,023	6,346,212	7,714,650
Wellness	184,774	-	1,415,226	1,600,000
Retiree Assistance Program	-	4,976,640	-	4,976,640
Director's Discretionary Fund	160,863	713,448	1,125,690	2,000,000
<b>Total Expenses</b>	<b>\$ 70,161,500</b>	<b>\$ 289,845,597</b>	<b>\$ 536,184,588</b>	<b>\$ 896,191,685</b>
<b>Retiree Subsidy Allocations</b>	<b>\$ 21,749,256</b>	<b>\$ (186,645,185)</b>	<b>\$ 164,895,929</b>	<b>\$ -</b>
<b>Fiscal Year Results</b>	<b>\$ 9,110,856</b>	<b>\$ -</b>	<b>\$ 64,833,150</b>	<b>\$ 73,944,007</b>
<b>Beginning Plan Reserve</b>	<b>21,879,253</b>	<b>-</b>	<b>168,412,746</b>	<b>190,291,999</b>
<b>Ending Plan Reserve</b>	<b>\$ 30,990,109</b>	<b>\$ -</b>	<b>\$ 233,245,896</b>	<b>\$ 264,236,006</b>

**KEY ASSUMPTIONS**

Additional State Employer Premiums	\$ 85,000,000	<b>Claim and Other Expense Trends</b>		
Additional Local Agency Revenue	\$ 15,000,000	<u>Eligibility</u>	<u>Medical</u>	<u>Drugs</u>
Additional State Employee Premiums	\$ 21,200,000	Non-Medicare	12.0%	22.0%
Additional Retiree Premiums	\$ 16,000,000	Medicare	9.5%	22.0%
Savings from Benefit Reductions	\$ -	Capitations		10.0%
Number of Net New Retirees	1,000	Administrative Expense		5.0%